

GASB Statement 45

Overview of Reporting Requirements

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The views expressed in this presentation are those of Ms. Czerkowski. Official positions of the GASB are determined only after extensive due process and deliberation.

Applicability/Underlying Concepts

- All employers that provide OPEB
- OPEB is a form of compensation for services
- Accrual-basis accounting for expense
- Measurement and disclosure of actuarial accrued liabilities and funded status
- Does not require funding

Related Statement

- Statement 43
- Applicable to
 - Governmental trustee or plan administrator (stand-alone plan reporting) or
 - Employer or plan sponsor with fiduciary responsibility for the plan (when included in employer/sponsor financial report)
- Requires reporting on stewardship of plan assets

Broad Measurement Steps

- Project cash outflows for benefits
- Discount projected benefits to present value (PV)
- Allocate the PV of projected benefits to periods using an acceptable actuarial cost method

Key OPEB Measures

- Unfunded actuarial accrued liability
 - Actuarially calculated measure
 - Portion of the present value of projected benefits attributed to past periods
 - Presented in notes and RSI schedules

Key OPEB Measures (cont.)

- Annual required contribution (ARC)
 - Derived from actuarial valuation
 - Basis for OPEB expense recognition
 - Represents level of contribution effort necessary on an ongoing, sustained basis to cover its two components:
 - Normal cost (service cost)
 - Amortization of unfunded actuarial accrued liability

Key OPEB Measures (cont.)

- Annual OPEB cost
 - Derived from ARC (a couple adjustments required in some circumstances)
 - Represents periodic cost to the employer of providing benefits
 - Reported as OPEB expense in accrual-basis financial statements
 - Serves as the basis for the accounting liability reported

Key OPEB Measures (cont.)

- Annual OPEB cost (cont.)

- Adjustments:

- If employer has beginning financial statement
OPEB liability:

- ARC

- + Interest on beginning f/s OPEB liability

- ARC adjustment

- Annual OPEB cost

Key OPEB Measures (cont.)

- Net OPEB obligation (asset)
 - Financial statement liability (asset) for OPEB
 - Cumulative difference between amounts expensed (annual OPEB cost) and contributions made
 - Statement 45 allows for use of a net OPEB obligation of zero at the beginning of the initial period of implementation

Key OPEB Measures (cont.)

- Contributions
 - Direct payments of benefits
 - Payments of insurance premiums
 - Irrevocable transfers of assets to a plan administered as a qualifying trust
 - Assets dedicated to payment of plan benefits as they come due
 - Assets protected from creditors of the employer(s) and the plan administrator

Key OPEB Measures (cont.)

- Contributions (cont.)
 - Do not include:
 - Earmarked assets
 - Assets transferred to a multiple-employer plan in excess of pay-as-you-go requirements, if the plan is not administered as a qualifying trust

Key OPEB Measures (cont.)

- Fitting the pieces together:

Normal cost (current service cost)	\$ 350,000	
Amortization of the UAAL (for past periods)	<u>600,000</u>	
Annual required contribution (ARC)	950,000	}
Interest on beginning net OPEB obligation	50,000	
ARC adjustment	<u>(58,500)</u>	
Annual OPEB cost = expense	941,500	
Actual employer contribution	<u>(250,000)</u>	
Increase in net OPEB obligation	691,500	
Net OPEB obligation—beginning	<u>650,000</u>	}
Net OPEB obligation—ending	<u>\$1,341,000</u>	

Disclose

Disclosure— Funded Status/Progress

- Most recent valuation (notes)

Actuarial accrued liability (AAL) (a)	\$13,500,000
Actuarial value of plan assets (b)	<u>-0-</u>
Unfunded actuarial accrued liability (UAAL) (a – b)	\$13,500,000
Funded ratio (b / a)	0.0%
Covered payroll (c)	\$ 7,600,000
UAAL as a % of covered payroll ([a – b] / c)	177.6%

- 3 most recent valuations (RSI)

Disclosure—Employer Contributions as % of Annual OPEB Cost

- Disclose for each of the past three years the annual OPEB cost, the percentage of annual OPEB cost actually contributed, and the ending net OPEB obligation

Example:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/X0	\$497,538	67.4%	\$1,160,171
6/30/X1	538,668	64.8	1,349,811
6/30/X2	572,359	62.5	1,564,488

Disclosure—Other Information

- Information about the plan
 - Plan description
 - Information about the funding policy (contribution rates of employer/members)
 - Information about actuarial methods and assumptions

Implementation Timeline

- Based on phase for implementing GASB 34
 - Statement 45—Employer's fiscal year beginning after December 15, :
 - 2006 (Phase 1)
 - 2007 (Phase 2)
 - 2008 (Phase 3)
 - Statement 43—One year earlier than the effective date of Statement 45 for the largest employer
- Earlier implementation is encouraged

GASB Resources

- Statement 43/45 Implementation Guide
- GASB website — www.gasb.org
 - Ordering information (Statements, Q&As)
 - OPEB Project page
 - Plain-language summary
 - Staff contacts
 - Technical inquiry system